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United Corporations Limited

Annual Report

for the year ended December 31, 1967

UNITED CORPORATIONS LIMITED

NOTICES

NOTICE IS HEREBY GIVEN that a Special General Meeting of the Shareholders of United Corporations Limited will be held at the office of the Company, Suite 424, IBM Building, 5 Place Ville Marie, Montreal 2, Quebec, Canada, on Monday, the 22nd day of April, 1968, at the hour of 11:00 o'clock in the forenoon for the purpose of considering and, if deemed advisable, sanctioning—

1. Special By-law "O" decreasing the number of the directors from twelve to ten; and
2. Special By-law "P" creating a new class of 140,000,000 3% Redeemable Second Preferred Shares of the par value of five cents (\$0.05) each and redesignating the existing Preferred Shares.

Copies of Special By-laws "O" and "P" may be examined at the Company's office during ordinary business hours up to the time of the Meeting.

NOTICE IS FURTHER GIVEN that the Thirty-fifth Annual General Meeting of the Shareholders of United Corporations Limited will be held at the same place immediately following the Special General Meeting of the Shareholders for the following purposes:—

- (a) To receive and approve the Annual Report of the Directors for the financial year of the Company ended December 31, 1967, the financial statements for such year and the Auditors' Report thereon;
- (b) To elect a board of directors;
- (c) To appoint auditors and authorize the directors to fix the remuneration of the auditors; and
- (d) To transact such other business, if any, as may properly come before the Meeting.

By Order of the Board,
I. WATERHOUSE,
Secretary.

IBM Building,
5 Place Ville Marie,
Montreal 2, Quebec.
February 23, 1968.

NOTE: In the event that you will be unable to be present at these Meetings you are requested to sign, date and return to the Secretary of the Company in the envelope provided for the purpose the enclosed form of Proxy.

INFORMATION CIRCULAR

Dated as of February 5, 1968

This Information Circular is furnished in connection with the solicitation of proxies for use at the Special and Annual General Meetings of Shareholders of United Corporations Limited (the "Company") to be held on Monday, 22nd April, 1968, at the place and time and for the purposes set forth in the Notices of said meetings. The information herein contained is as of 5th February, 1968.

Right of Revocation

A shareholder who executes and returns the Instrument of Proxy may revoke the same at any time before it is voted.

Solicitation of Proxies

The execution and return of the enclosed Instrument of Proxy is solicited by the management of the Company. The persons named in the accompanying Instrument of Proxy are Directors of the Company. The management does not contemplate solicitation of proxies otherwise than by mail, the cost of which will be borne by the Company.

Exercise of Discretion by Proxies

The persons named in the accompanying Instrument of Proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction,**

shares shall be voted at the Special General Meeting in favour of Special By-laws "O" and "P" and at the Annual General Meeting for the approval of the Directors' Report and Financial Statements, and for the election of Directors and the appointment of Auditors as stated under those headings in this Circular. The enclosed Instrument of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notices of Meetings, and with respect to other matters which may properly come before the Meetings. At the time of printing this Circular the Management of the Company knows of no such amendments, variations or other matters to come before the Meetings other than the matters referred to in the Notices of Annual and Special General Meetings.

Designation of Proxy

If a shareholder desires to appoint as proxy a person other than those designated in the Instrument of Proxy, he should strike out the names of the persons designated therein and insert the name of his representative on the face of the proxy. A person acting as proxy need not be a shareholder of the Company.

Voting Shares and Principal Holders

Holders of Class "A" and Class "B" Shares of record at the time of the Special and Annual General Meetings will be entitled to one vote for each share held at such meetings and at any adjournments thereof. At the close of business on 5th February, 1968, there were 52,237 Class "A" Shares and 3,504,873 Class "B" Shares issued and outstanding. The directors and senior officers of the Company do not know of any person or company beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to the shares of the Company.

Election of Directors

The present By-laws of the Company provide that the Board of Directors shall consist of twelve directors to be elected annually. There are presently ten Directors serving as members of the Board. It is proposed at the Special General Meeting of Shareholders to present for sanction by the shareholders, present in person or by proxy, Special By-law "O" passed by the Directors on 21st February, 1968, reducing the number of Directors of the Corporation from twelve to ten. Assuming the passage of this By-law, it is proposed that the shares represented by proxies for the Annual General Meeting in the form enclosed herewith will be voted for the election of ten Directors. The term of office of each Director so elected expires upon the election of his successor, unless he shall resign or his office becomes vacant by death or other cause. It is proposed to nominate for election as Directors of the Company at the Annual General Meeting the ten persons named hereunder. Management does not contemplate that any of the nominees will be unable to serve as a Director but, if that should occur for any reason prior to the meeting, the persons nominated in the enclosed Instrument of Proxy reserve the right to vote for another nominee in their discretion.

Name, Position with the Company and Principal Occupation	Director Since	Approximate Number of Equity Shares of the Company beneficially owned, directly or indirectly, as of 5th February, 1968
T. N. BEAUPRÉ Chairman and President Domtar Limited since 1966. Chairman of British Columbia Forest Products Limited since June 19, 1964 and President of British Columbia Forest Products Limited from October 1, 1962 to June 1964.	January, 1967	100 Class "B"
G. D. BIRKS Vice-President Henry Birks and Sons Limited for a period in excess of the five preceding years.	April, 1963	1200 Class "B"
E. G. BURTON, C.B.E. Chairman or Senior Officer Simpsons, Limited for a period in excess of the five preceding years.	April, 1961	300 Class "B"

Name, Position with the Company and Principal Occupation	Director Since	Approximate Number of Equity Shares of the Company beneficially owned, directly or indirectly, as of 5th February, 1968
J. V. EMORY President of the Company for a period in excess of the five preceding years.	April, 1959	25 1959 Series Preferred 15,010 Class "B"
J. E. FARMER Vice-President or Director Wood Gundy Securities Limited (formerly Wood Gundy & Co. Ltd.) for a period in excess of the five preceding years.	April, 1962	8,300 Class "B"
C. L. GUNDY Vice-President of the Company, Chairman or Senior Officer Wood Gundy Securities Limited (formerly Wood Gundy & Co. Ltd.) for a period in excess of the five preceding years.	December, 1951	83,080 Class "B"
K. S. HOWARD, Q.C. Partner Cate, Ogilvy, Bishop, Cope, Porteous & Hansard for a period in excess of the five preceding years.	April, 1967	100 Class "B"
A. F. MAYNE Executive Vice-President The Royal Bank of Canada for a period in excess of the five preceding years.	April, 1964	300 Class "B"
G. B. SEELY General Manager of the Company for a period in excess of the five preceding years.	April, 1967	40 Class "A" 916 Class "B"
A. E. TARR Vice-President and Treasurer The Monarch Life Assurance Company for a period in excess of the five preceding years.	July, 1959	16,118 Class "B"

Remuneration of Directors and Senior Officers

The following information is given for the 12 month fiscal period ending 31 December, 1967, with respect to Directors and Senior Officers of the Company as a group.

Aggregate direct remunerations paid (a) by the Company.....	\$78,508
(b) by a non-consolidated subsidiary.....	\$33,662
Approximate aggregate cost of normal pension benefits	
(a) paid by the Company.....	\$7,589
(b) paid by a non-consolidated subsidiary.	\$4,122
Approximate cost of existing retirement plans for the 12 months commencing January 1st, 1968	
(a) payable by the Company	\$8,300
(b) payable by a non-consolidated subsidiary.	\$4,500

Stock Options

The following stock options with regard to Class "B" Shares of the Company have been granted to and exercised by Senior Officers since January 1, 1967, pursuant to the Employee Stock Option Plan approved by shareholders April 21, 1958:—

a) Options granted

Number of Class "B" Shares	Date of Grant	Price	Expiration Date	Approximate Price range of Class "B" Shares prior to date of grant	
				High	Low
5,000	January 16, 1967	\$9.22½	January 16, 1977	10¾	9¾

b) Options exercised

Number of Class "B" Shares	Option Price	Approximate price range of Class "B" Shares prior to date of exercise	
		High	Low
200	\$ 5.40	11 ³ / ₄	9 ³ / ₄
1,500	5.46 ² / ₃	12 ³ / ₄	12
1,500	8.40	12 ⁷ / ₈	12 ¹ / ₈
500	5.40	13	12
1,500	8.40	13	12
6,750	8.40	13 ¹ / ₂	12 ³ / ₄
250	5.40	13 ⁵ / ₈	13
750	5.46 ² / ₃	13 ⁵ / ₈	13
15,750	8.40	14 ¹ / ₄	13 ¹ / ₄
750	10.68 ³ / ₄	14	13

Appointment of Auditors

Messrs. Price Waterhouse & Co., Chartered Accountants, are the auditors of the Company and have held said position for a period in excess of the five preceding years. It is proposed by the management of the Company that such firm be reappointed the auditors of the Company at the Annual General Meeting of Shareholders.

Voting of Shareholders represented by management proxies

The accompanying Instrument of Proxy confers discretionary voting authority upon those persons designated therein. It is intended that the shareholders represented by all such Instruments of Proxy received by the Company shall be voted:

- at the Special General Meeting of Shareholders in favour of Special By-law "O" which would decrease the authorized number of Directors of the Company from twelve to ten and Special By-law "P" which would create a new class of 140,000,000 3% Redeemable Second Preferred Shares of the par value of five cents (\$0.05) each and redesignate the existing Preferred Shares; and
- at the Annual General Meeting in favour of the report of the Directors; the consolidated financial statements of the Company for the fiscal year ending 31 December 1967; the report of the auditors thereon; and the election as Directors of the Company of the persons designated in this Information Circular as nominees for the election as Directors of the Company; the appointment of Messrs. Price Waterhouse & Co., Chartered Accountants, as the auditors of the Company and with authorization to the Board of Directors to fix the remuneration of the auditors.

Special By-laws "O" and "P"

Copies of Special By-laws "O" and "P" may be examined at the office of the Company during business hours.

The purpose of Special By-law "O" is explained above under the heading "Election of Directors". The purpose of Special By-law "P" is to create 140,000,000 3% Redeemable Second Preferred Shares of the par value of 5¢ each and to redesignate the Company's 80,290 issued and outstanding 5% Cumulative Redeemable Preferred Shares, 1959 Series, as "5% Cumulative Redeemable First Preferred Shares, 1959 Series" and to redesignate its 119,710 issued and outstanding 5% Cumulative Redeemable Preferred Shares, 1963 Series as "5% Cumulative Redeemable First Preferred Shares, 1963 Series".

The Second Preferred Shares can, in the discretion of the Directors, be issued as stock dividends on the Company's Class "B" shares from time to time and immediately redeemed and will be used to implement the new dividend policy instituted by your Directors in January of this year which was outlined to Class "B" shareholders in some detail in a Special Report dated January 22, 1968. The new policy calls for an extra dividend to be declared in January of each year of a size which will, when taken in conjunction with the quarterly dividends declared during the previous year, provide in the aggregate a yield as close as is practicable to 4% on the average unaudited month-end net equity value per Class "B" Share for the twelve months of that preceding year. According to our calculations the extra cash dividend of 28¢ per Class "B" Share declared in January, 1968, has placed your Company in a position where, henceforth, if we continue to distribute all of our net revenue each year in the form of cash dividends, any extra dividend required to bring the total dividend up to a 4% yield on average net equity value may, provided that there is no change in the applicable tax laws, be distributed free of Canadian income tax both to the Company and to its shareholders in the form of a stock dividend which would be immediately redeemed.

Montreal, Quebec
February 23, 1968

By Order of the Board,
I. WATERHOUSE,
Secretary.

19

Directors

T. N. BEAUPRÉ
G. D. BIRKS
E. G. BURTON, C.B.E.
J. V. EMORY
J. E. FARMER
C. L. GUNDY
K. S. HOWARD, Q.C.
A. F. MAYNE
G. B. SEELY
A. E. TARR

Officers

J. V. EMORY, President
C. L. GUNDY, Vice-President
G. B. SEELY, General Manager
R. B. WRIGHT, Assistant to the President
MISS I. WATERHOUSE, Secretary and Treasurer
MISS E. CLAYTON, Asst.-Secretary and Asst.-Treasurer

Head Office

5 Place Ville Marie, Montreal, Quebec, Canada

67

To the Shareholders



Your Directors take pleasure in presenting the 35th Annual Report of your Company for the year ended December 31, 1967.

Balance Sheet

(see page 6)

The aggregate market value of your Company's assets at December 31, 1967, was \$75,921,296 as compared with \$63,432,692 at the end of the previous year. Calculated in the conventional manner and allowing \$30 each in respect of the outstanding Class 'A' and 1959 Series Preferred Shares and \$31.50 each in respect of the outstanding 1963 Series Preferred Shares (their respective redemption prices), the net equity value behind each of the three classes of shares as at that date was as follows:

Class 'A' Shares—\$74,756,817 or \$1,431.11 per share
Preferred Shares— 73,189,707 or 365.94 per share
Class 'B' Shares— 67,010,142 or 19.11 per share

The figure of \$19.11 per Class 'B' Share was an increase of 19.9% over the corresponding figure of

\$15.94 at the end of 1966 and set a new year-end high, exceeding the previous high of \$16.80 at the end of 1965 by 13.7%.

Statement of Revenue

(see page 7)

Gross revenue, after withholding taxes, amounted to \$2,345,446, a new record, as compared with \$2,174,449 in 1966. Operating expenses, at \$182,561, increased somewhat from the corresponding figure of \$165,166 for 1966. The reason for this increase will be commented upon more fully later in this report. Net revenue for the year, after all charges including income taxes, was \$2,118,885, also a new record, as against \$1,961,783 for 1966.

Statement of Surplus

(see page 7)

Total additions to Surplus during the year amounted to \$8,170,060 consisting of \$2,118,885 in net revenue and \$6,051,175 in profits realized on sale of investments.

After full provision for dividends on the Class 'A' and Preferred Shares, net revenue available for the Class 'B' Shares stood at \$1,740,529, an increase of \$157,102 or 9.9% over the corresponding figure of \$1,583,427 for 1966 and a new high. It is worth mentioning in this connection that 1967 marked the twenty-fourth consecutive year in which net revenue available for the Class 'B' Shares has increased, an unusual record for a Canadian company. On the basis of the 3,504,873 Class 'B' Shares outstanding at the end of 1967, earnings per share amounted to 49.6¢. The corresponding figure for 1966 was 45.5¢ per share on the 3,475,423 shares outstanding at the end of that year.

After provision for dividends on the Class 'B' Shares of \$1,601,039, the net addition to Surplus for 1967 was \$6,190,665, bringing total surplus as at December 31, 1967, to \$42,432,078. This figure is, of course, based on the book cost of our investments and it should be noted that the market value of those investments exceeded the book cost by \$20,045,656 at the end of the year.

Dividends

Class 'A' dividends totalling \$78,356, which were covered 27 times by revenue available for their payment,

were declared and paid in 1967. Dividends declared and paid on the two Series of Preferred Shares amounted to \$300,000 and were covered 6.8 times by available revenue.

Regular dividends declared and paid on the Class 'B' Shares during 1967 consisted of two quarterly dividends of 10¢ per share and two quarterly dividends of 11¢ per share. In addition, an extra dividend of 4¢ per share was declared in January and paid in February so that Class 'B' dividends declared and paid in 1967 aggregated 46¢ per share.

The major change in dividend policy instituted with the declaration in January, 1968, of an extra dividend of 28¢ per Class 'B' Share has already been covered in some detail in a special report to the Class 'B' shareholders dated January 22, 1968. Shareholders are urged to consider the implications of this new dividend policy carefully, particularly in relation to our overall investment record during recent years. In the opinion of your Directors the attractiveness of our Class 'B' Shares as an investment medium has been considerably enhanced by the adoption of this policy and it is hoped that, as a consequence, the market price of the shares will reflect their true net equity value more closely than has been the case in the past.

Portfolio and Investment Policy

(see pages 9, 14, 15 and 16)

The detailed portfolio of investments held by your company at the end of 1967 is set out on pages 14, 15 and 16 of this report. The distribution of investments, together with pro-forma balance sheets for the last five years showing changes in the weighting of your company's portfolio, will be found on page 9.

The change in dividend policy referred to above makes it pertinent to discuss at this point what changes, if any, are likely to take place in our investment policy now that our annual dividend is, for practical purposes, tied to our average net equity value rather than being dependent, as in the past, strictly on the income received from our portfolio.

It should be stressed that the basic character of your company will not change in any major way in that the

new dividend policy is entirely consistent with our primary objective of providing shareholders, within the limits of reasonable prudence, with the maximum return on their investment in the form of a combination of current income and long-term growth of capital. In fact, from the operational point of view, it should assist in the attainment of this objective by permitting us to select investment situations which, in our judgment, offer the maximum potential return on capital without being constantly concerned about maintaining or increasing our current income.

It is not our intention to indulge in short-term trading activities nor to emphasize unduly the achievement of capital gains, as such. However, in a closed-end investment company such as ours, where there is no continuous flow of new money coming in for investment, each purchase of a new security involves the sale of a security already held. Such portfolio shifts are a proper function of investment management in adjusting to continuously changing conditions and, if the over-all investment policy is to produce satisfactory results, it is probable that profits will be realized from time to time on the sale of securities which have been held for a considerable period.

Record of Asset Valuations and Revenue

(see pages 12 and 13)

As usual, there appears on pages 12 and 13 of this report a record of your company's progress during the thirty-five years of its existence. In addition, we are presenting for the first time a graphical record of our performance over the last twenty years.

In this connection, it should be remembered that it was only in 1962 that the investment policy of your company was changed from that of a "balanced" portfolio to a generally more aggressive attitude towards investment in common stocks. For this reason the results achieved during the last six years should be of particular interest to shareholders, especially in the light of the foregoing discussion of investment policy.

Between December 31, 1961, and December 31, 1967, the Toronto Stock Exchange Industrial Index and the Montreal Stock Exchange Composite Index showed net gains of 18% and 26% respectively. During

the same period, the Dow Jones Industrial Average and the Standard & Poor's Composite Index increased by 24% and 35%. By comparison with these popular measures of the Canadian and American stock markets, our net equity value per Class 'B' Share during the same period increased from \$11.77 to \$19.11 per Class 'B' Share or by 62%. It is perhaps unnecessary to point out that past performance is no guarantee of the future but the results of the last six years have been a factor in the decision of your Directors with regard to the new dividend policy.

Record of Revenue and Expenditures

(see pages 10 and 11)

Your attention is directed to the eight year record of revenue and expenditures which appears on pages 10 and 11 of this report. The fact that your company acquired the assets of London Canadian Investment Corporation in 1959 makes comparisons prior to 1960 difficult. The figures for individual expense items in this informal record have been adjusted for comparative purposes and hence do not necessarily conform with the audited statements of revenue for the years concerned.

From the comparative figures it can be seen that operating expenses for 1967, while showing some increase from 1966, remained relatively constant as a percentage of net revenue available to the Class 'B' Shares and declined as a percentage of their net equity value.

A number of factors contributed to the increase in operating expenses amongst which were a full year's rent in new and larger quarters and an enlarged staff to look after the continuously expanding operations of United Bond & Share Limited referred to below. In addition, however, a decision to wind up was taken in 1967 by an associated investment company which had been operated in conjunction with your company for many years and which had contributed its share towards the payment of joint operating expenses. This contribution ceased as of the end of October, 1967. Fortunately, this development was not unexpected and the impact has been cushioned to a considerable extent by increased income received through United Bond & Share Limited. This cushioning effect should continue in 1968.

United Bond & Share Limited

With the winding up of the associated company referred to above, United Bond & Share Limited, which provides investment management services to individuals and corporations on a fee basis, has now become a wholly-owned subsidiary so that henceforth your company will receive the full benefit from its operations. As in the past this benefit will take two forms. First, United Bond & Share Limited will continue to pay its full share of our overall expenses on a formula basis. This, of course, reduces the operating expenses of your company and will continue to be a large contributing factor in the holding down of those expenses. Second, it will continue to pay a dividend each year equal to substantially all its net income after taxes. This dividend will now be paid entirely to your company and hence, while it will be included in dividend income received and therefore will not show up as a reduction in expenses, will result in a corresponding increase in revenue.

Assets under administration by United Bond & Share Limited showed a further sizeable increase during 1967. Perhaps the most important single development was the launching in April, as announced at the Annual Meeting, of a new mutual fund, RoyFund Ltd., in co-operation with The Royal Bank of Canada. While it is a little early as yet to be able to assess fully the potential of this new venture, results to date have been encouraging.

Employee Stock Option Plan

Mention was made in last year's Annual Report of the granting in January, 1967, of options to purchase an additional 5,000 Class "B" Shares at a price per share equal to 90% of the market value at the time of granting. The major change in the tax treatment of option benefits which became effective on January 1, 1968, resulted in a sizeable number of options being exercised prior to the end of 1967 and, in fact, options covering a total of 29,450 shares were exercised during the year as a whole. As of the end of 1967, therefore, of the 122,520 shares reserved for issue under the plan in 1958, options covering 109,000 shares had been granted and 93,000 of these shares had been purchased by optionees or their heirs.

Directors

Your Directors record with sorrow the death, on April 5, 1967, of O. B. Thornton, O.B.E. who had been a Director of your company since 1953. His death deprived your company of a valued Director and the business community at large of a distinguished Canadian citizen.

Less sad but equally regretted was the decision of A. F. Graham-Watson, one of our United Kingdom Directors, not to stand for re-election at the Annual Meeting because of his retirement from active business. Mr. Graham-Watson had been a Director of London Canadian Investment Corporation for many years and joined our Board at the time of the acquisition of the assets of that company in 1959. During his years of service as a Director his keen interest and wide connections in United Kingdom financial circles were of considerable assistance to us.

At the Annual Meeting, G. B. Seely was elected a Director. Mr. Seely has been General Manager of your company since 1962 and continues to act in that capacity.

Re-listing of Shares

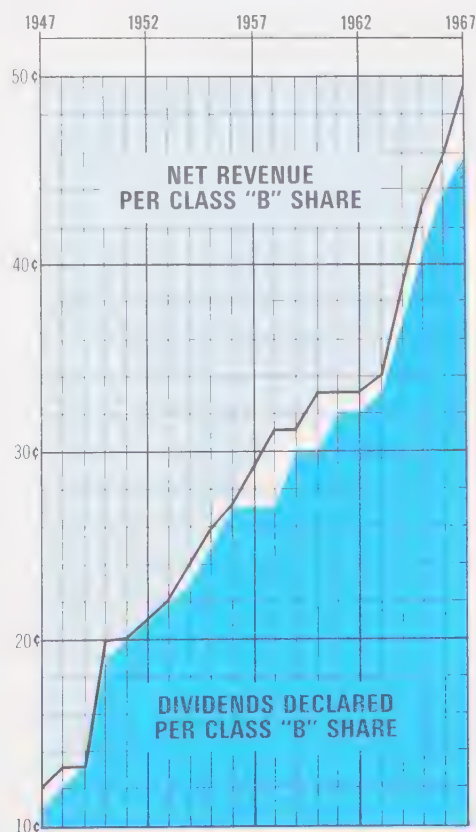
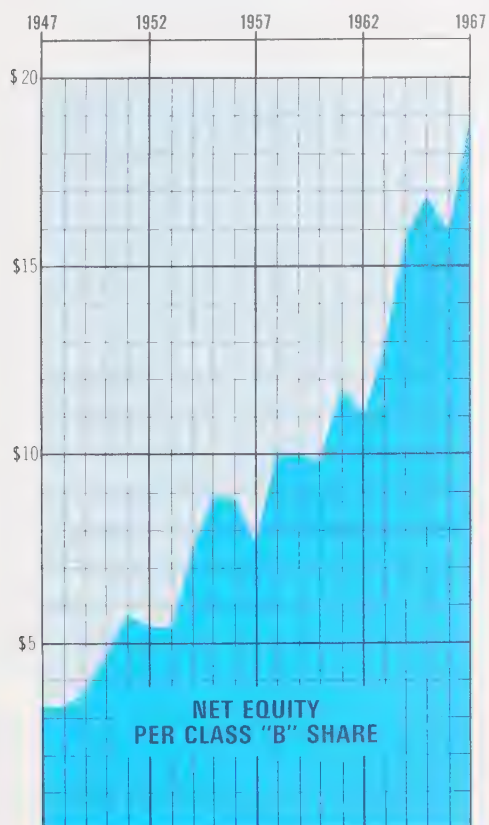
At their January, 1968 meeting, your Directors decided to apply for listing of all classes of your company's shares on the Montreal Stock Exchange rather than on the Canadian Stock Exchange as in the past. Initial steps have been taken to implement this decision and it is anticipated that the new listing privileges will be granted in due course.

On behalf of the Directors,

J. V. EMORY,

President

February 23, 1968.



Assets

	1967	1966
Investments, at cost (quoted market value—\$74,563,575; 1966—\$62,721,207; including U. S. quotations translated into Canadian funds at rates of exchange current at December 31)	\$54,517,919	\$47,846,510
Current assets:		
Cash on deposit	1,275,521	611,490
Accrued interest on investments	77,492	99,120
Prepaid expenses	4,708	875
	<u>1,357,721</u>	<u>711,485</u>
	<u>\$55,875,640</u>	<u>\$48,557,995</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Due to brokers on delivery of securities	\$ 1,149,010	\$ 253,347
Income taxes payable	6,790	15,884
Other accounts payable	8,679	7,914
	<u>1,164,479</u>	<u>277,145</u>

Shareholders' equity:

Capital stock (Notes 1 and 2)—

	Class "A"	Preferred	Class "B"		
Authorized	<u>52,237</u>	<u>200,000</u>	<u>6,000,000</u>		
Issued	52,237		2,877,480 for a consideration of	119,384	119,384
		200,000	" " " "	6,000,000	6,000,000
			627,393 " " " "	6,159,699	5,920,053
	<u>52,237</u>	<u>200,000</u>	<u>3,504,873</u>	<u>12,279,083</u>	<u>12,039,437</u>

Surplus (statement attached)	42,432,078	36,241,413
	<u>54,711,161</u>	<u>48,280,850</u>
	<u>\$55,875,640</u>	<u>\$48,557,995</u>

SIGNED ON BEHALF OF THE BOARD:

J. V. EMORY, Director

K. S. HOWARD, Director

Revenue

	1967	1966
Dividends received and interest received and accrued.....	\$2,274,289	\$ 2,189,342
Stock dividends received and sold.....	103,099	18,876
	<u>2,377,388</u>	<u>2,208,218</u>
Less: United States withholding taxes.....	31,942	33,769
	<u>2,345,446</u>	<u>2,174,449</u>
Management expenses.....	93,600	88,863
Fees and expenses of trustee, registrar and transfer agents.....	18,353	17,840
Directors' remuneration (Note 4).....	52,576	42,417
Taxes, other than income taxes.....	4,838	2,817
Audit fees.....	3,200	2,061
Miscellaneous expenses.....	2,914	1,331
Staff pension plan (current premium).....	7,080	9,837
	<u>182,561</u>	<u>165,166</u>
Net revenue for the year before taxes on income.....	2,162,885	2,009,283
Provision for taxes on income.....	44,000	47,500
Net revenue for the year.....	<u>\$ 2,118,885</u>	<u>\$ 1,961,783</u>

Surplus

Balance of revenue at beginning of year.....	\$ 1,087,423	\$ 813,127
Net revenue for the year (statement attached).....	2,118,885	1,961,783
	<u>3,206,308</u>	<u>2,774,910</u>
Less: Dividends (Note 3)—		
Class "A" shares.....	78,356	58,505
Preferred shares.....	300,000	224,000
Class "B" shares.....	1,601,039	1,389,999
	<u>1,979,395</u>	<u>1,672,504</u>
	1,226,913	1,102,406
Deduct: Expenses applicable to occupancy of new office.....	—	14,983
	<u>1,226,913</u>	<u>1,087,423</u>
Balance at beginning of year, of profits realized from the sale of investments and cancellation of the corporation's bonds (less appropriated for the redemption of 12,033 Class "A" shares of the corporation).....	35,153,990	31,143,210
Add: Net profit on sale of investments during the year.....	6,051,175	4,010,780
	<u>41,205,165</u>	<u>35,153,990</u>
Surplus at end of year.....	<u>\$42,432,078</u>	<u>\$36,241,413</u>

Auditors' Report

TO THE SHAREHOLDERS OF UNITED CORPORATIONS LIMITED:

We have examined the balance sheet of United Corporations Limited as at December 31, 1967 and the statements of surplus and revenue for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We verified the corporation's investments and cash on deposit at December 31, 1967 either by direct confirmations received from the custodians or by physical count.

In our opinion these financial statements present fairly the financial position of the corporation as at December 31, 1967 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.

Chartered Accountants

Montreal, January 30, 1968.

Notes to Financial Statements, December 31, 1967

Note 1:

Class "A" shares, without nominal or par value, are preferred as to cumulative dividends of \$1.50 per share per annum, and as to assets on winding-up to the extent of \$30 per share plus accrued and unpaid dividends. They are redeemable on sixty days' notice at \$30 per share plus accrued and unpaid dividends.

Preferred shares, of the par value of \$30 each, are preferred over the Class "B" shares as to cumulative dividends and as to repayment of capital, accrued dividends and specified premium on winding-up, but are subject and subordinate to the Class "A" shares of the corporation. The first series of these Preferred shares consists of 80,290 5% Cumulative Redeemable Preferred shares, 1959 Series, redeemable (on not less than thirty days' notice) and repayable on winding-up at par plus accrued dividends. The second series consists of 119,710 5% Cumulative Redeemable Preferred shares, 1963 Series, redeemable (on not less than thirty days' notice) and repayable on winding-up at \$31.50 plus accrued dividends.

Note 2:

122,520 Class "B" shares have been reserved for issue under an Employee Stock Option Plan approved by the Class "B" shareholders on April 21, 1958. At December 31, 1967 options to purchase 109,000 shares (of which 106,000 were optioned to directors or officers) had been granted as follows:

- (i) 66,750 shares at a price per share equal to 80% of the market value at the time of granting and
- (ii) 42,250 shares—including 5,000 granted January 16, 1967 at a price per share equal to 90% of the market value at the time of granting.

Options have been exercised to purchase 93,000 shares, including 29,450 shares in 1967.

Note 3:

In accordance with the change in declaration dates announced in 1966, dividends charged to revenue surplus for that year comprised the last three quarterly payments on the Class "A" and the Preferred shares and four regular quarterly payments of ten cents each on the Class "B" shares.

During 1967 four regular quarterly dividends were declared and paid out of revenue surplus together with an extra dividend of four cents per share (declared January 16, 1967) on the Class "B" shares.

Dividends declared on January 22, 1968 included an extra payment of twenty-eight cents per share on the Class "B" shares in accordance with a change in policy as referred to in the Report of the Directors.

Note 4:

The accounts of United Bond & Share Limited (which became a wholly-owned subsidiary in 1967) have not been consolidated with those of United Corporations Limited because the amounts involved are not significant. The amount of directors' remuneration shown on the accompanying statement of revenue does not include \$21,530 allocated to United Bond & Share Limited by United Corporations Limited.

Note 5:

A statement of source and application of funds for the year ended December 31, 1967 has not been presented because it is not considered to be significant in the case of an investment company.

Portfolio

	DECEMBER 31				
	1967	1966	1965	1964	1963
Cash etc., Short Term Notes & Bonds	\$ 8,893,939	\$ 9,723,898	\$ 6,624,452	\$ 5,539,676	\$ 5,228,876
Less: Liabilities	1,164,479	277,145	212,291	290,318	264,494
Quick Reserves	7,729,460	9,446,753	6,412,161	5,249,358	4,964,382
Preferred Stocks	2,469,406	2,678,201	1,622,526	1,888,759	2,030,582
Total Reserves	10,198,866	12,124,954	8,034,687	7,138,117	6,994,964
*Common Stocks & Convertibles	64,557,951	51,030,593	58,082,375	55,722,463	45,325,973
Total Net Assets	<u>\$74,756,817</u>	<u>\$63,155,547</u>	<u>\$66,117,062</u>	<u>\$62,860,580</u>	<u>\$52,320,937</u>

Capitalization

	DECEMBER 31				
	1967	1966	1965	1964	1963
Senior Capital at Redemption					
Prices:—					
Class "A" Shares	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110
Preferred Shares	6,179,565	6,179,565	6,179,565	6,179,565	6,179,565
Total Senior Capital	7,746,675	7,746,675	7,746,675	7,746,675	7,746,675
*Class "B" Equity	67,010,142	55,408,872	58,370,387	55,113,905	44,574,262
	<u>\$74,756,817</u>	<u>\$63,155,547</u>	<u>\$66,117,062</u>	<u>\$62,860,580</u>	<u>\$52,320,937</u>

*Percentage of Common Stocks & Convertibles to Class "B" Equity—
 1967: 96.3%, 1966: 92.1%, 1965: 99.5%, 1964: 101.1%, 1963: 101.7%.

Distribution of Investments

December 31, 1967 (with comparative market values and percentages for December 31, 1966)

	1967		1966	
	Market Value	Percentage	Market Value	Percentage
Cash etc., & Short Term Notes	\$ 2,802,917	3.69%	\$ 911,485	1.44%
Canadian Government & Guaranteed Bonds	5,896,137	7.77%	8,228,575	12.97%
Canadian Provincial & Provincial Guaranteed Bonds	116,775	0.15%	291,362	0.46%
Corporate Bonds	78,110	0.10%	288,950	0.46%
Corporate Bonds—Convertible	29,785	0.04%	—	—
Miscellaneous Bonds	—	—	3,526	0.01%
Preferred Stocks	2,469,406	3.25%	2,678,201	4.22%
Preferred Stocks—Convertible	1,333,362	1.76%	268,400	0.42%
Common Stocks	63,194,804	83.24%	50,762,193	80.02%
Total Assets	<u>\$75,921,296</u>	<u>100.00%</u>	<u>\$63,432,692</u>	<u>100.00%</u>

Geographical distribution at December 31, 1967 was:

Canada
82.21%

United States
17.79%

United Corporations Limited

Eight Year Record of Revenue and Expenditures

	1967	1966
Total Income (after withholding taxes)	\$ 2,345,446	\$ 2,174,449
Less:		
Management Expenses (including all Salaries and Company contributions to the Pension Plan)	140,345	126,698
Fees & Expenses of Trustee, Registrar and Transfer Agents	18,353	17,840
Directors' Fees (excluding Directors' Salaries)	15,825	15,750
Taxes other than Income Taxes	4,838	2,817
Legal and Audit Fees	3,200	2,061
Total Operating Expenses	182,561	165,166
Net Revenue Before Income Taxes	2,162,885	2,009,283
Provision for Income Taxes	44,000	47,500
Net Revenue After Taxes	2,118,885	1,961,783
Class "A" and Preferred Dividends	378,356	378,356
Net Revenue Available to Class "B" Shares	\$ 1,740,529	\$ 1,583,427
Net Equity Available to Class "B" Shares	\$67,010,142	\$55,408,872
Operating Expenses as a percentage of:—		
Net Revenue Available to Class "B" Shares	10.5%	10.4%
Net Equity Available to Class "B" Shares	0.27%	0.30%

<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>	<u>1961</u>	<u>1960</u>
\$ 2,083,888	\$ 1,908,840	\$ 1,688,445	\$ 1,537,160	\$ 1,513,221	\$ 1,523,009
122,283	115,106	106,585	119,654	116,260	115,889
20,003	16,904	16,902	15,155	16,096	23,856
16,725	18,000	17,475	15,675	15,300	14,400
2,817	2,770	2,797	2,422	2,410	2,403
2,100	2,900	4,735	2,250	2,500	2,000
<u>163,928</u>	<u>155,680</u>	<u>148,494</u>	<u>155,156</u>	<u>152,566</u>	<u>158,548</u>
1,919,960	1,753,160	1,539,951	1,382,004	1,360,655	1,364,461
38,500	27,000	30,000	42,000	45,000	56,000
<u>1,881,460</u>	<u>1,726,160</u>	<u>1,509,951</u>	<u>1,340,004</u>	<u>1,315,655</u>	<u>1,308,461</u>
378,356	378,356	330,800	198,790	198,790	198,790
\$ 1,503,104	\$ 1,347,804	\$ 1,179,151	\$ 1,141,214	\$ 1,116,865	\$ 1,109,671
\$58,370,387	\$55,113,905	\$44,574,262	\$37,892,527	\$40,375,693	\$33,624,014
10.9%	11.6%	12.6%	13.6%	13.7%	14.3%
0.28%	0.28%	0.33%	0.41%	0.38%	0.47%

United Corporations Limited

Record of Asset Valuations and Revenue

(Class "B" Share figures have been adjusted to reflect subdivisions of 4 for 1 in April, 1953, and 3 for 1 in June, 1964)

Year Ended Dec. 31	Net Asset Value	Principal Amount of Bonds Outstanding	Net Equity for Class "A" & Pfd.	Class "A" & Pfd. Shares at redemption price (a)
1933.....	\$ 6,120,481	\$ 4,498,900	\$ 1,621,581	\$ 2,000,404
1935.....	9,378,287	4,498,900	4,879,387	2,161,079
1937.....	9,541,981	4,498,900	5,043,081	1,928,100
1939.....	9,843,775	3,705,400	6,138,375	1,588,050
1941.....	8,174,586	3,598,900	4,575,686	1,588,050
1943.....	9,746,273	3,000,000	6,746,273	1,579,800
1945.....	14,443,864	2,800,000	11,643,864	1,579,800
1946.....	14,059,182	2,700,000	11,359,182	1,579,800
1947.....	13,668,485	2,600,000	11,068,485	1,579,800
1948.....	13,443,096	2,500,000	10,943,096	1,567,110
1949.....	14,771,960	2,400,000	12,371,960	1,567,110
1950.....	17,409,613	2,300,000	15,109,613	1,567,110
1951.....	20,391,615	2,200,000	18,191,615	1,567,110
1952.....	19,359,943	2,000,000	17,359,943	1,567,110
1953.....	19,130,077	1,900,000	17,230,077	1,567,110
1954.....	25,100,871	1,800,000	23,300,871	1,567,110
1955.....	29,014,916	1,700,000	27,314,916	1,567,110
1956.....	28,054,394	1,316,300	26,738,094	1,567,110
1957.....	24,446,536	878,900	23,567,636	1,567,110
1958.....	30,381,268	—	30,381,268	1,567,110
1959.....	38,196,704	—	38,196,704	3,975,810
1960.....	37,599,824	—	37,599,824	3,975,810
1961.....	44,351,503	—	44,351,503	3,975,810
1962.....	41,868,337	—	41,868,337	3,975,810
1963.....	52,320,937	—	52,320,937	7,746,675
1964.....	62,860,580	—	62,860,580	7,746,675
1965.....	66,117,062	—	66,117,062	7,746,675
1966.....	63,155,547	—	63,155,547	7,746,675
1967.....	74,756,817	—	74,756,817	7,746,675

(a) Including Class "A" dividend arrears of \$ 72,304 in 1933
Including Class "A" dividend arrears of \$232,979 in 1935

(b) Denotes red figures.

(c) Class "A" dividends paid:
1933.....\$ —
1935..... .50
1937..... 4.125
1939 to date. . . 1.50 per year

Net Equity for Class "B"	Net Equity for Class "B" per share	Net Revenue for the year	Dividends on Class "A" and Pfd. Shares (c)	Net Revenue Available to Class "B" Shares	Net Revenue per share Class "B"	Dividends Declared per share Class "B"
\$ 378,823 (b)	\$ 0.13 (b)	\$ 72,510	\$ 72,304	\$ 206	\$ —	\$ —
2,718,308	0.94	83,252	96,405	13,153 (b)	.005 (b)	—
3,114,981	1.08	205,196	96,405	108,791	.038	—
4,550,325	1.58	139,462	80,978	58,484	.020	—
2,987,636	1.03	160,968	79,403	81,565	.028	.02
5,166,473	1.79	156,727	78,990	77,737	.027	.025
10,064,064	3.49	252,049	78,990	173,059	.060	.06
9,779,382	3.39	321,626	78,990	242,636	.084	.06
9,488,685	3.29	417,965	78,990	338,975	.118	.11
9,375,986	3.25	448,846	78,867	369,979	.129	.125
10,804,850	3.75	463,389	78,356	385,033	.134	.13
13,542,503	4.70	642,086	78,356	563,730	.196	.19
16,624,505	5.77	656,437	78,355	578,082	.201	.20
15,792,833	5.48	692,112	78,356	613,756	.213	.21
15,662,967	5.44	717,206	78,356	638,850	.222	.22
21,733,761	7.55	777,697	78,356	699,341	.243	.23
25,747,806	8.94	810,692	78,355	732,337	.255	.25
25,170,984	8.74	857,145	78,355	778,790	.271	.27
22,000,526	7.64	912,771	78,355	834,416	.290	.27
28,814,158	10.01	976,297	78,356	897,941	.312	.27
34,220,894	10.02	978,793	78,355 (e)	900,438 (e)	.313 (d)	.30
33,624,014	9.85	1,308,461	198,790 (e)	1,109,671 (e)	.325	.30
40,375,693	11.77	1,315,655	198,790	1,116,865	.326	.32
37,892,527	11.01	1,340,004	198,790	1,141,214	.332	.32
44,574,262	12.84	1,509,951	330,800 (e)	1,179,151 (e)	.340	.33
55,113,905	15.87	1,726,160	378,356	1,347,804	.388	.37
58,370,387	16.80	1,881,460	378,356	1,503,104	.433	.41
55,408,872	15.94	1,961,783	378,356 (f)	1,583,427	.455	.44 (g)
67,010,142	19.11	2,118,885	378,356	1,740,529	.496	.46

(d) Does not include 534,393 Class "B" shares issued December 23, 1959.

(e) Excluding dividends declared on Class "A" Shares in 1959 and on Preferred Shares in 1960 and 1963, in excess of their respective regular annual rates.

(f) Includes full annual dividends on Class "A" and Preferred Shares though only three quarterly dividends were declared.

(g) Includes extra dividend of 4¢ per share declared in January, 1967.

No. of Shares or Par Value				Market Value	Percent Total Assets
\$1,450,000	SHORT TERM NOTES.....			\$1,445,196	1.90%
CANADIAN GOVERNMENT & GUARANTEED BONDS					
\$ 425,000	Government of Canada.....	5½%	1969	\$ 421,387	
3,300,000	Government of Canada.....	Conv. 6%	1971	3,271,125	
200,000	Government of Canada.....	6%	1971	196,000	
950,000	Government of Canada.....	5%	1973	871,625	
800,000	Government of Canada.....	5½%	1974	752,000	
400,000	Canadian National Railway Company.....	5½%	1971	384,000	
				<u>\$5,896,137</u>	7.77%
CANADIAN PROVINCIAL & PROVINCIAL GUARANTEED BONDS					
\$ 100,000	Hydro-Electric Power Commission of Ontario.....	6%	1972	\$ 98,000	
20,000	Province of Quebec.....	6%	1972	18,775	
				<u>\$ 116,775</u>	0.15%
CORPORATE BONDS — EXCLUDING CONVERTIBLES					
\$ 107,000	Western Decalta Petroleum Limited.....	6%	1985	\$ 78,110	0.10%
PREFERRED STOCKS — EXCLUDING CONVERTIBLES					
900	Anglo-Canadian Telephone Company.....	\$2.65		\$ 36,000	
1,000	Anglo-Canadian Telephone Company.....	\$2.90		41,250	
2,000	Anglo-Canadian Telephone Company.....	\$3.15		96,000	
4,000	British Columbia Forest Products Limited.....	6%		194,500	
6,000	British Columbia Telephone Company.....	4.84%		126,000	
1,500	British Columbia Telephone Company.....	5.15%		120,000	
3,500	British Columbia Telephone Company.....	5¼%		332,500	
2,500	Canadian Food Products Limited.....	6%		122,500	
6,000	Consolidated-Bathurst Limited.....	6%		120,750	
1,500	Debhold (Canada) Limited.....	6¼%		142,500	
2,175	Husky Oil Canada Limited.....	6%		100,050	
4,000	Industrial Acceptance Corporation Limited.....	5¼%		84,000	
2,500	Quebec Natural Gas Corporation.....	5.40%		168,125	
1,875	Quebec Natural Gas Corporation.....	5½%		128,906	
2,235	Rio Algom Mines Limited.....	\$5.80		212,325	
4,000	Third Canadian General Investment Trust Limited.....	\$2.50		156,000	
5,000	Trans-Canada Pipe Lines Limited.....	\$2.80		225,000	
2,000	Westfair Foods Limited.....	"A"		63,000	
				<u>\$2,469,406</u>	3.25%
BANKS & FINANCE					
85,000	Canadian Imperial Bank of Commerce.....			\$1,190,000	
33,000	Industrial Acceptance Corporation Limited.....			660,000	
2,500	Interior Trust Company.....			275,000	
85,000	The Royal Bank of Canada.....			1,328,125	
60,000	United Bond & Share Limited.....			60,000	
				<u>\$3,513,125</u>	4.63%
BEVERAGES					
40,000	Distillers Corporation-Seagrams Limited.....			\$1,580,000	2.08%
BUILDING MATERIALS					
20,000	Canada Cement Company Limited.....			\$ 580,000	0.76%

Portfolio of Investments (Continued)

No. of Shares or Par Value		Market Value	Percent Total Assets
CHEMICALS & DRUGS			
10,000	Air Reduction Company Incorporated.....	\$ 374,200	
95,000	Chemcell Limited.....	736,250	
20,400	Jefferson Lake Petrochemicals of Canada Limited.....	1,224,000	
9,000	Richardson-Merrell Incorporated.....	841,230	
25,000	Union Carbide Canada Limited.....	431,250	
		<u>\$3,606,930</u>	4.75%
ELECTRONICS & AEROSPACE			
11,000	General Precision Equipment Company.....	\$ 942,040	
7,000	International Telephone & Telegraph Corporation.....	877,450	
\$ 25,000	Radio Corporation of America..... Conv. 4½% 1992	29,785	
14,000	Radio Corporation of America.....	807,520	
		<u>\$2,656,795</u>	3.50%
MACHINERY			
97,900	Massey-Ferguson Limited.....	\$1,639,825	
30,000	Robert Morse Corporation Limited..... "A"	570,000	
		<u>\$2,209,825</u>	2.91%
METALS & MINING			
50,000	Alcan Aluminium Limited.....	\$1,418,750	
15,000	Asbestos Corporation Limited.....	288,750	
50,000	Canadian British Aluminium Company Limited..... "A"	800,000	
20,000	Falconbridge Nickel Mines Limited.....	1,940,000	
11,000	International Nickel Company of Canada Limited.....	1,386,000	
74,000	Northgate Exploration Limited.....	804,750	
46,500	Preston Mines Limited.....	1,034,625	
25,000	Rio Algom Mines Limited.....	868,750	
		<u>\$8,541,625</u>	11.25%
OFFICE EQUIPMENT & SUPPLIES			
2,614	International Business Machines Corporation.....	\$1,771,116	
48,000	Moore Corporation Limited.....	1,404,000	
		<u>\$3,175,116</u>	4.18%
OIL & GAS			
70,000	Canadian Petrofina Limited.....	\$ 945,000	
25,000	Canadian Superior Oil Limited.....	1,187,500	
50,000	Central-Del Rio Oils Limited.....	1,112,500	
10,000	Gulf Oil Corporation.....	825,300	
35,718	Home Oil Company Limited..... "A"	910,809	
45,000	Husky Oil Canada Limited.....	1,091,250	
30,000	Imperial Oil Limited.....	2,100,000	
15,000	Royal Dutch Petroleum Company.....	713,250	
25,000	Scurry-Rainbow Oils Limited.....	1,306,250	
30,000	Texaco Canada Limited.....	960,000	
25,000	Union Oil Company of Canada Limited.....	1,450,000	
80,000	Western Decalta Petroleum Limited.....	304,000	
5,350	Western Decalta Petroleum Limited..... Wts.	9,416	
		<u>\$12,915,275</u>	17.01%

Portfolio of Investments (Concluded)

No. of Shares or Par Value		Market Value	Percent Total Assets
PAPER & FOREST PRODUCTS			
50,000	Abitibi Paper Company Limited.....	\$ 406,250	
50,000	British Columbia Forest Products Limited.....	875,000	
50,000	Domtar Limited.....	518,750	
50,000	MacMillan, Bloedel Limited.....	1,175,000	
		<u>\$2,975,000</u>	3.92%
PIPELINES & UTILITIES			
30,000	Alberta Gas Trunk Line Company Limited....."A"	\$ 982,500	
10,000	British Columbia Telephone Company.....	540,000	
16,500	Coastal States Gas Producing Company.....	956,175	
7,500	International Utilities Corporation.....\$1.32 Conv. Pfd.	317,812	
10,900	International Utilities Corporation.....	461,888	
25,000	Trans-Canada Pipe Lines Limited.....	693,750	
35,000	Westcoast Transmission Company Limited.....	761,250	
		<u>\$4,713,375</u>	6.21%
RETAIL MERCHANDISING			
86,000	Simpsons, Limited.....	\$2,902,500	
22,000	Simpsons-Sears Limited....."A"	583,000	
90,000	Woodward Stores Limited....."A"	1,597,500	
		<u>\$5,083,000</u>	6.70%
STEEL & IRON			
40,000	Algoma Steel Corporation Limited.....	\$ 750,000	
40,000	Dominion Foundries and Steel Limited.....	770,000	
25,000	Labrador Mining and Exploration Company Limited.....	775,000	
16,000	Sharon Steel Corporation.....	622,400	
40,000	Steel Company of Canada Limited.....	810,000	
		<u>\$3,727,400</u>	4.91%
TRANSPORTATION & EQUIPMENT			
25,000	Canada Steamship Lines Limited.....	\$ 615,625	
10,000	Canadian Pacific Investments Limited.....4% Conv. Pfd. WW	238,750	
15,000	Canadian Pacific Railway Company.....	877,500	
10,000	Chrysler Corporation.....	607,900	
		<u>\$2,339,775</u>	3.08%
MISCELLANEOUS			
3,750	Avco Corporation.....\$3.20 Conv. Pfd.	\$ 526,800	
7,500	Avco Corporation.....	526,800	
40,000	Consumers Glass Company Limited.....	520,000	
32,000	Famous Players Canadian Corporation Limited.....	1,328,000	
10,000	Gillette Company.....	672,700	
2,500	Granite Investment & Development Limited.....2nd Conv. Pfd.	250,000	
18,000	International Systcoms Limited.....	423,000	
15,000	I.T.L. Industries Limited.....	281,250	
13,000	Jonathan Logan Incorporated.....	837,590	
10,000	Revlon Incorporated.....	909,100	
13,000	Storer Broadcasting Company.....	665,470	
		<u>\$6,940,710</u>	9.14%

UNITED CORPORATIONS LIMITED

—Incorporated under the Laws of Canada

General Information

Shares Listed

Class "A", 1959 Series Preferred and Class "B" shares are listed on the London, England, Canadian (Montreal) and Toronto Stock Exchanges.

1963 Series Preferred shares are listed on the Canadian (Montreal) and Toronto Stock Exchanges.

Transfer Agent

Montreal Trust Company

Shares transferable at Montreal, Toronto, Halifax, Winnipeg, Calgary and Vancouver.

Registrar

The Royal Trust Company

Auditors

Price Waterhouse & Co.

Dividend Dates

Dividends on all classes of shares are being paid quarterly on February 15, May 15, August 15, November 15.

Dividends and Taxes

We are advised that Canadian resident individual shareholders are entitled to claim the 20% Canadian income tax credit on their dividends.

A 10% Canadian withholding tax is presently exigible on all dividends paid to non-residents.

Non-resident shareholders are advised to consult their tax authorities in respect of possible relief for which credit may be claimed on dividends received from this Corporation.

United Corporations Limited

PORTFOLIO OF INVESTMENTS

as at June 30, 1967

No. of Shares or Par Value				Market Value
\$ 200,000	SHORT TERM NOTE			\$ 200,000
CANADIAN GOVERNMENT & GUARANTEED BONDS				
\$1,550,000	Government of Canada	5½%	1969	\$1,553,875
950,000	Government of Canada	5%	1973	901,312
1,000,000	Government of Canada	5½%	1974	978,750
1,185,000	Government of Canada	5½%	1975	1,147,969
1,000,000	Government of Canada	5½%	1980	965,000
400,000	Canadian National Railway Company	5½%	1971	392,000
				\$5,938,906
CANADIAN PROVINCIAL & PROVINCIAL GUARANTEED BONDS				
\$ 40,000	Province of Ontario	6%	1969	\$ 39,700
100,000	Hydro-Electric Power Commission of Ontario	6%	1972	99,375
20,000	Province of Quebec	6%	1972	19,500
135,000	Quebec Hydro-Electric Commission	6%	1969	132,638
				\$ 291,213
CORPORATE BONDS				
\$ 200,000	Northgate Exploration Limited	6½%	1971	\$ 197,500
107,000	Western Decalta Petroleum Limited	6%	1985	89,880
				\$ 287,380
MISCELLANEOUS BONDS				
				\$ 5,172
PREFERRED STOCKS—EXCLUDING CONVERTIBLES				
2,000	Anglo-Canadian Telephone Company	\$3.15		\$ 102,000
1,000	Anglo-Canadian Telephone Company	\$2.90		52,000
900	Anglo-Canadian Telephone Company	\$2.65		41,850
4,000	British Columbia Forest Products Limited	6%		201,000
3,500	British Columbia Telephone Company	5¼%		357,000
1,500	British Columbia Telephone Company	5.15%		135,000
6,000	British Columbia Telephone Company	4.84%		132,000
2,500	Canadian Food Products Limited	6%		105,625
6,000	Consolidated Paper Corporation Limited	6%		155,250
1,500	Debold (Canada) Limited	6¼%		146,062
2,175	Husky Oil Canada Limited	6%		113,372
4,000	Industrial Acceptance Corporation Limited	5¼%		100,000
1,875	Quebec Natural Gas Corporation	5½%		162,187
2,500	Quebec Natural Gas Corporation	5.40%		214,375
2,235	Rio Algom Mines Limited	\$5.80		224,059
4,000	Third Canadian General Investment Trust Limited	\$2.50		168,000
5,000	Trans-Canada Pipe Lines Limited	\$2.80		243,750
2,000	Westfair Foods Limited	"A"		69,000
				\$2,722,530
BANKS & FINANCE				
17,000	Canadian Imperial Bank of Commerce			\$1,124,125
33,000	Industrial Acceptance Corporation Limited			763,125
85,000	Royal Bank of Canada, The			1,338,750
60,000	United Bond & Share Limited			60,000
				\$3,286,000
BEVERAGES				
40,000	Distillers Corporation-Seagrams Limited			\$1,520,000
BUILDING MATERIALS				
20,000	Canada Cement Company Limited			\$ 795,000
CHEMICALS & DRUGS				
16,000	Air Reduction Company Incorporated			\$ 725,600
85,000	Chemcell Limited			850,000
12,000	Du Pont of Canada Limited			355,500
8,500	Grace (W.R.) & Company			425,595
25,800	Jefferson Lake Petrochemicals of Canada Limited			973,950
9,000	Richardson-Merrell Incorporated			818,640
25,000	Union Carbide Canada Limited			506,250
				\$4,655,535
ELECTRONICS & AEROSPACE				
10,000	General Cable Corporation			\$ 583,000
9,000	General Precision Equipment Company			739,710
15,000	Grumman Aircraft Engineering Corporation			716,700
7,000	International Telephone & Telegraph Corporation			717,080
10,000	Radio Corporation of America			531,700
				\$3,288,190

No. of Shares or Par Value			Market Value
MACHINERY			
116,500	Massey-Ferguson Limited		\$2,504,750
20,000	Morse Corporation Limited, Robert	"A"	500,000
			\$3,004,750
METALS & MINING			
40,000	Alcan Aluminium Limited		\$1,195,000
25,500	Canadian British Aluminium Company Limited	"A"	411,187
770	Canadian British Aluminium Company Limited	Wts.	1,155
20,000	Falconbridge Nickel Mines Limited		1,720,000
11,000	International Nickel Company of Canada Limited		1,111,000
74,000	Northgate Exploration Limited		381,100
46,500	Preston Mines Limited		924,188
35,000	Rio Algom Mines Limited		1,233,750
			\$6,977,380
OFFICE EQUIPMENT & SUPPLIES			
2,679	International Business Machines Corporation		\$1,438,998
48,000	Moore Corporation Limited		1,488,000
			\$2,926,998
OIL & GAS			
70,000	Canadian Petrofina Limited		\$ 988,750
25,000	Canadian Superior Oil Limited		1,115,625
50,000	Central-Del Rio Oils Limited		650,000
10,000	Gulf Oil Corporation		697,700
35,718	Home Oil Company Limited	"A"	741,149
45,000	Husky Oil Canada Limited		759,375
30,000	Imperial Oil Limited		1,882,500
20,000	Scurry-Rainbow Oils Limited		647,500
30,000	Texaco Canada Limited		851,250
25,000	Union Oil Company of Canada Limited		975,000
80,000	Western Decalta Petroleum Limited		214,400
5,350	Western Decalta Petroleum Limited	Wts.	6,420
			\$9,529,669
PAPER & FOREST PRODUCTS			
50,000	Abitibi Paper Company Limited		\$ 481,250
50,000	British Columbia Forest Products Limited		962,500
70,000	Domtar Limited		1,067,500
50,000	MacMillan, Bloedel Limited		1,418,750
			\$3,930,000
PIPELINES & UTILITIES			
30,000	Alberta Gas Trunk Line Company Limited	"A"	\$1,117,500
7,350	British Columbia Telephone Company		499,800
15,000	Coastal States Gas Producing Company		660,000
3,750	Quebec Natural Gas Corporation	Wts.	8,625
25,000	Trans-Canada Pipe Lines Limited		771,875
35,000	Westcoast Transmission Company Limited		840,000
			\$3,897,800
RETAIL MERCHANDISING			
86,000	Simpsons Limited		\$2,429,500
20,000	Simpsons-Sears Limited	"A"	349,000
90,000	Woodward Stores (1947) Limited	"A"	1,417,500
			\$4,196,000
STEEL & IRON			
40,000	Algoma Steel Corporation Limited		\$ 950,000
40,000	Dominion Foundries and Steel Limited		930,000
25,000	Labrador Mining and Exploration Company Limited		778,125
15,000	Sharon Steel Corporation		485,850
40,000	Steel Company of Canada Limited		900,000
			\$4,043,975
TRANSPORTATION & EQUIPMENT			
24,000	Canada Steamship Lines Limited		\$ 768,000
15,000	Canadian Pacific Railway Company		1,059,375
			\$1,827,375
MISCELLANEOUS			
15,000	Avco Corporation		\$ 866,400
40,000	Consumers Glass Company Limited		555,000
32,000	Famous Players Canadian Corporation Limited		1,136,000
10,000	Gillette Company		591,100
2,500	Granite Investment & Development Limited	2nd Conv. Pfd.	125,000
13,000	Jonathan Logan Incorporated		698,230
8,000	Revlon Incorporated		552,800
13,000	Storer Broadcasting Company		666,770
49,000	Velcro Industries Limited		3,528,000
			\$8,719,300

To the Shareholders

As most of you know, it has been our custom up to now to forward quarterly reports in the form of a letter to shareholders with the quarterly dividend cheques. This meant that the reports did not cover calendar quarters and hence did not coincide with the fiscal year of the Company. Henceforth it is our intention to forward a more formal report to shareholders as of the end of each calendar quarter.

As of June 30, 1967, the indicated net equity value per Class 'B' Share was \$18.54. This was slightly below the all-time high of \$18.74 set at the end of April but was the second highest month-end figure in the history of your Company and an increase of 16.3% over the 1966 year-end figure of \$15.94. The customary five year comparative record of month-end net equity values is as follows:—

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1963.....	11.51	11.38	11.66	12.10	12.47	11.97	11.70	11.84	12.36	12.59	12.37	12.84
1964.....	13.14	13.17	13.83	14.29	14.94	15.03	15.41	15.35	15.87	15.92	15.79	15.87
1965.....	16.83	16.87	16.55	16.95	16.71	15.59	15.40	15.99	16.31	16.68	16.37	16.80
1966.....	17.55	17.38	17.00	17.50	16.77	16.84	16.58	15.38	15.13	15.40	15.43	15.94
1967.....	17.17	17.33	18.09	18.74	17.90	18.54						

As may be seen from the attached comparative statement, net income for the six months ended June 30, 1967 was \$1,015,987, an increase of \$75,842 over the corresponding figure of \$940,145 for 1966. After provision for six months' dividends on the Class 'A' and Preferred Shares, net revenue available for the Class 'B' Shares was \$826,809 or 23.8¢ per share as against \$750,967 or 21.6¢ for the same period of last year. Barring major portfolio changes and assuming that there are no unpleasant surprises in the next six months, we should be able to show a satisfactory increase in earnings per Class 'B' Share for 1967 as a whole over the 45.5¢ reported for 1966.

All figures are subject to audit.

J. V. EMORY,
President.

June 7, 1967

United Corporations Limited

STATEMENT OF REVENUE

for the 6 months ended June 30
(subject to audit)

	1967	1966
Dividends received and interest received and accrued	\$1,113,592	\$1,056,268
Stock dividends received and sold	28,114	6,377
	<u>1,141,706</u>	<u>1,062,645</u>
Less:		
United Kingdom, United States and other withholding taxes	13,674	19,555
	<u>1,128,032</u>	<u>1,043,090</u>
Management Expenses	\$53,970	\$44,648
Fees and expenses of trustee, registrar and transfer agents	4,597	4,069
Directors' remuneration	22,194	23,898
Taxes, other than income taxes	1,524	775
Audit fees	1,250	1,010
Miscellaneous expenses	768	654
Staff pension plan (current premium)	<u>2,742</u>	<u>4,891</u>
	<u>87,045</u>	<u>79,945</u>
Net revenue for the 6 months before taxes on income	1,040,987	963,145
Provision for taxes on income	<u>25,000</u>	<u>23,000</u>
Net revenue for the 6 months	<u>\$1,015,987</u>	<u>\$ 940,145</u>